

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6560**

**BILL NUMBER:** SB 127

**NOTE PREPARED:** Jan 31, 2006

**BILL AMENDED:** Jan 24, 2006

**SUBJECT:** Political Expenditures.

**FIRST AUTHOR:** Sen. Lawson C

**FIRST SPONSOR:** Rep. Richardson

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Political Action Committees:* The bill provides that a group of individuals all of whom are related by blood, marriage, or adoption is not considered a political action committee.

*Advocacy Expenditures:* The bill requires an individual or organization that makes an expenditure of at least \$10,000 for the purpose of financing communications that expressly advocate the election or defeat of a clearly identified candidate to file, not later than 48 hours after the expenditure, a report that provides details concerning the expenditure.

The bill exempts from the reporting requirement: (1) candidate's committees; (2) regular party committees; (3) political action committees; (4) a legislative caucus committee; (5) an auxiliary party organization; (6) a membership organization that is exempt from federal income taxation under Section 501(c) of the Internal Revenue Code, to the extent that the organization's communications are made solely to the organization's members; and (7) an individual who makes an expenditure using only the individual's own resources.

*Penalty Provisions:* The bill establishes criminal and civil penalties for violation of the reporting requirement.

**Effective Date:** January 1, 2007.

**Explanation of State Expenditures:** (Revised) *Advocacy Expenditures:* Individuals or organizations that made an expenditure or aggregate expenditures totaling at least \$10,000 for advocacy of either the election or defeat of a candidate for state or legislative office would be required to file an expenditure report with the Election

Division. The bill would require an advocacy expenditure form to be filed within 48 hours after the expenditure was made.

The Division may have to produce a new report for advocacy expenditures. The Division would likely see an increase in administrative time to file additional reports. The Division's existing resources should be sufficient to develop the forms necessary to comply with the bill.

Background: The Election Division had printing costs of about \$628 for forms and \$2,296 for non-forms in FY 2005. The Secretary of State reverted \$120,467 back to the state General Fund at the end of FY 2005.

*Criminal Penalties:* Under current election law, a person that has knowingly filed a fraudulent campaign report commits a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

No person convicted of an election crime was remanded to a Department of Correction (DOC) facility in CY 2004.

**Explanation of State Revenues:** (Revised) *Criminal Penalties:* Under current election law, a person that fails to file a campaign report commits a Class B misdemeanor.

If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. The maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenue would likely be small.

*Civil Penalties:* Civil penalties would apply for failure to file an advocacy expenditure report under the bill. Election law civil penalties for state and federal offices are placed in the state Campaign Finance Enforcement Account (CFEA). The CFEA is used for the enforcement of campaign laws and creating and operating a campaign finance computer system, including the investment in technology to expand the capabilities of the computer system.

**Explanation of Local Expenditures:** (Revised) *Advocacy Expenditures:* Advocacy expenditures made for local offices would be reported to county election boards. County election boards could see an increase in administrative time to process additional reports under the bill.

*Criminal Penalties:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

**Explanation of Local Revenues:** (Revised) *Criminal Penalties:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

*Civil Penalties:* Civil penalties would apply for failure to file an advocacy expenditure report under the bill. Election law civil penalties for local offices are placed in local campaign finance enforcement accounts.

**State Agencies Affected:** Department of Correction.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Department of Correction; Office of the State Auditor; IC 3-14.

**Fiscal Analyst:** Chris Baker, 317-232-9851.